



THE OHIO STATE UNIVERSITY

The Earned Income Tax Credit: Sustainable Poverty Alleviation in Research and Practice

Susan Colbert¹ and Lauren Jones^{1,2}



Susan Colbert – OSU Extension, Program
Director, Expansion and Engagement,
Franklin County

Lauren Jones – OSU Extension State
Specialist and Assistant Professor of
Consumer Sciences, Department of Human
Sciences



Our Talk Today

Lauren give background on EITC

- Structure and history of the program
- Effectiveness
- Take-up in Ohio

Susan to describe her work setting up a successful VITA program in central Ohio

- VITA program
- Partnership between OSU and Extension
- Benefits to the community
- Building a VITA site



EITC: STRUCTURE AND HISTORY



The Earned Income Tax Credit – A
refundable tax credit for low to moderate
income working families

More generous for families with children

Obtain simply by filing taxes



Some history

EITC originated in 1975

Growing welfare rolls in the 1960s and 70s

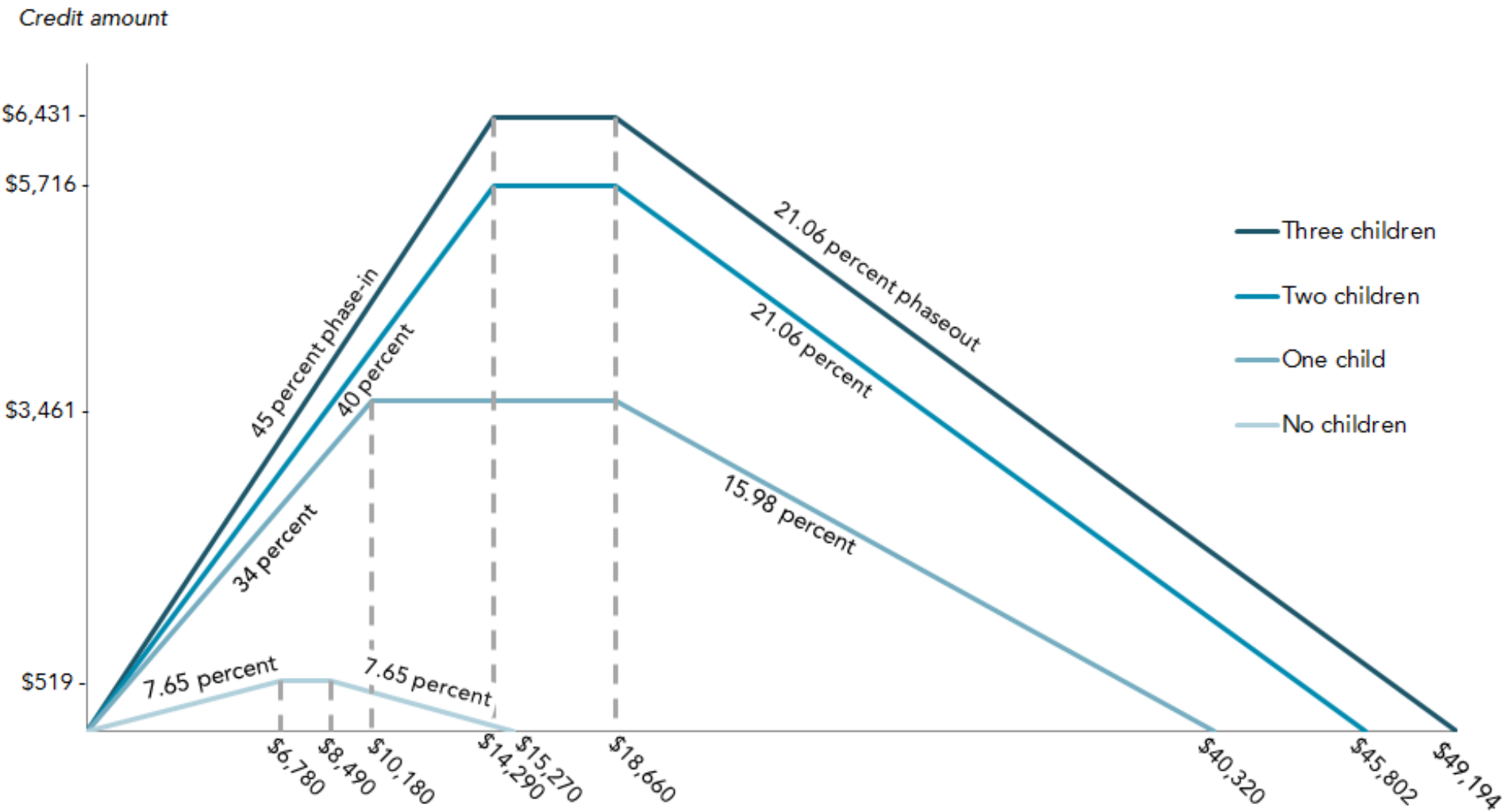
- High marginal tax rate for people on receiving AFDC
- Structure of EITC intended to overcome this

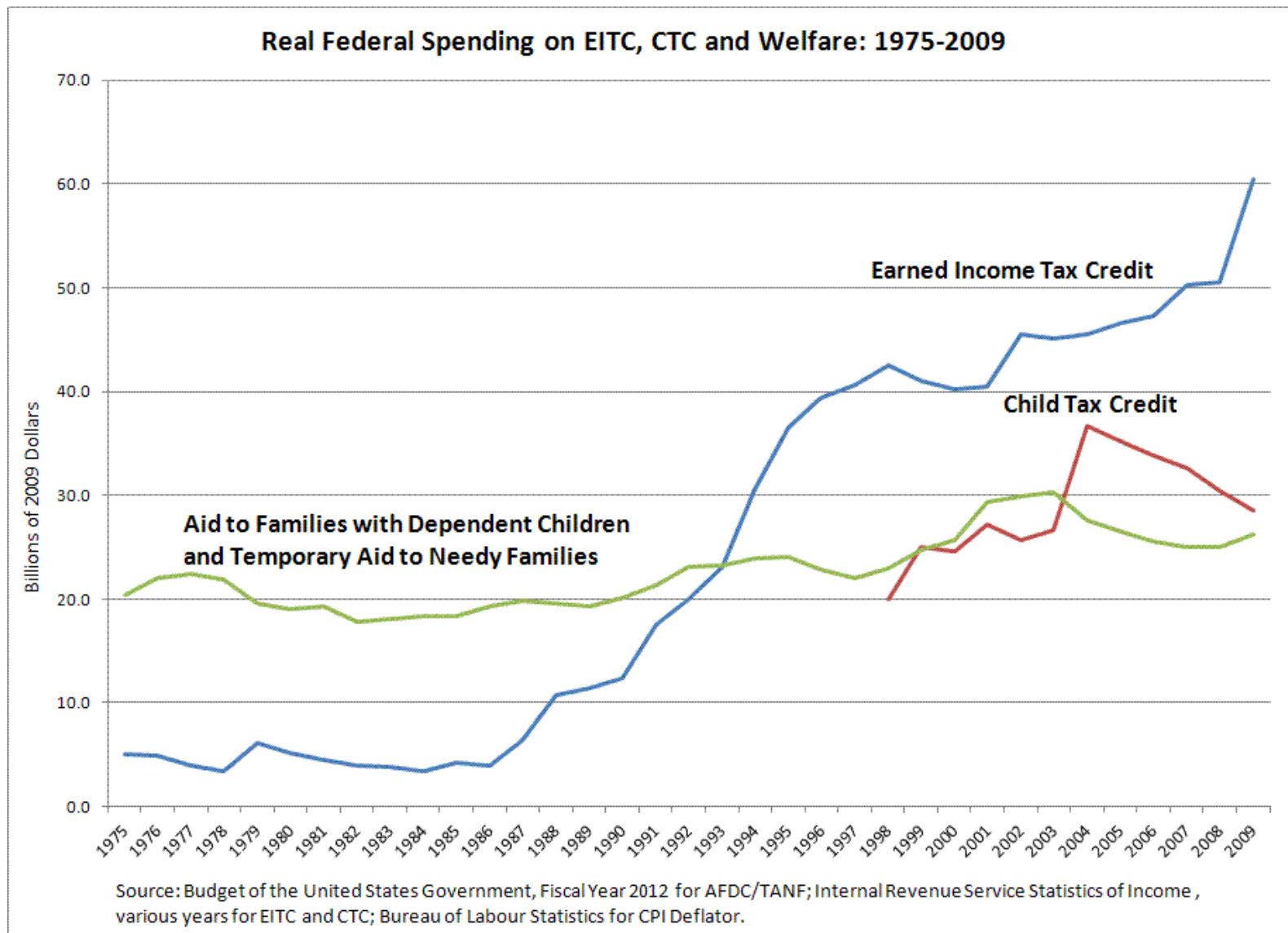
Program expanded many times since

- Larger increase for families with children
- States implement their own EICs



Earned Income Tax Credit







Interesting Program Features

Refundable

- Do not need to owe taxes to receive

Claim through the tax code

- Minimize stigma

Lump-sum

- Forced savings mechanism

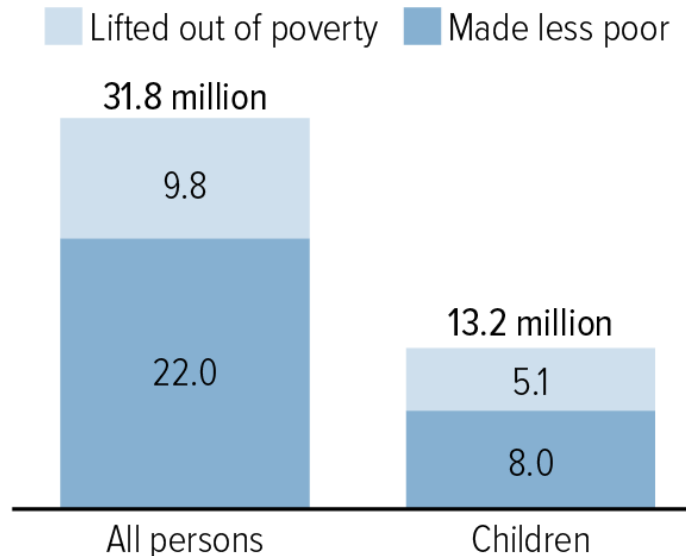


THE EITC IS A HIGHLY EFFECTIVE POVERTY ALLEVIATION TOOL



Earned Income Tax Credit and Child Tax Credit Have Powerful Antipoverty Impact

Millions of persons lifted out of poverty or made less poor (using Supplemental Poverty Measure) by EITC and CTC, 2015



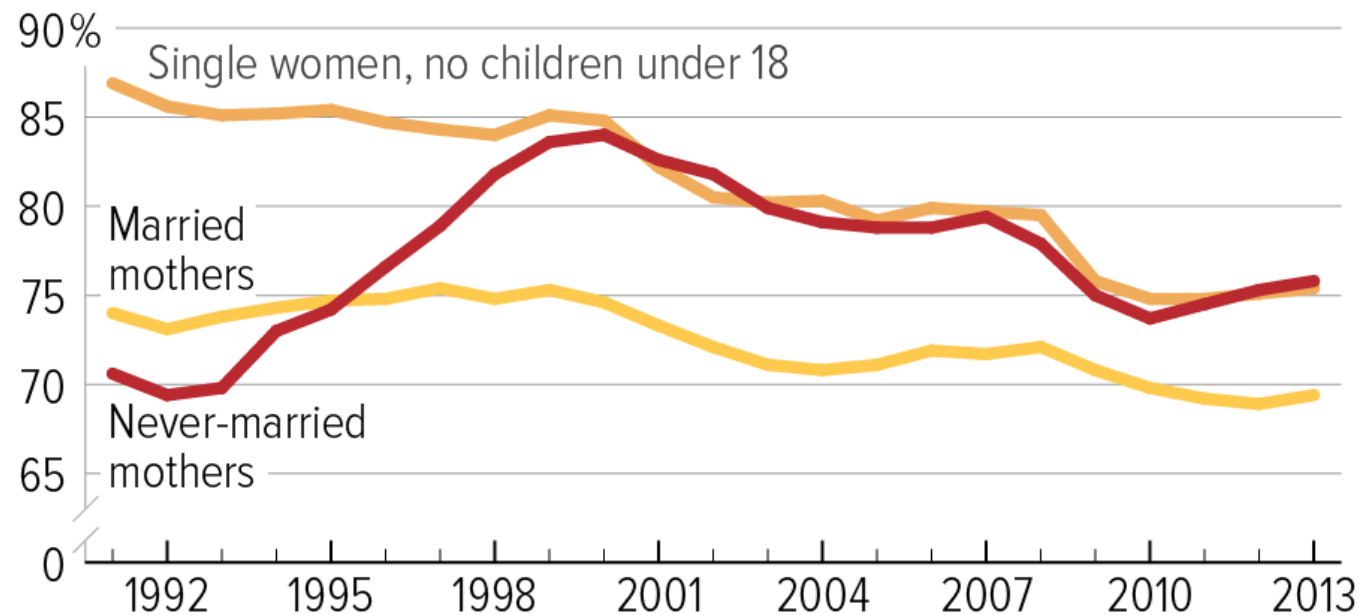
Note: Unlike the Census Bureau's official poverty measure, the SPM counts the effect of government benefit programs and tax credits.

Source: CBPP analysis of Census Bureau's March 2016 Current Population Survey and 2015 SPM public use file.



Single Mothers' Work Rates Jumped Following Earned Income Tax Credit Expansion in 1990s

Percent of women between ages 20 and 49 with any work during the year



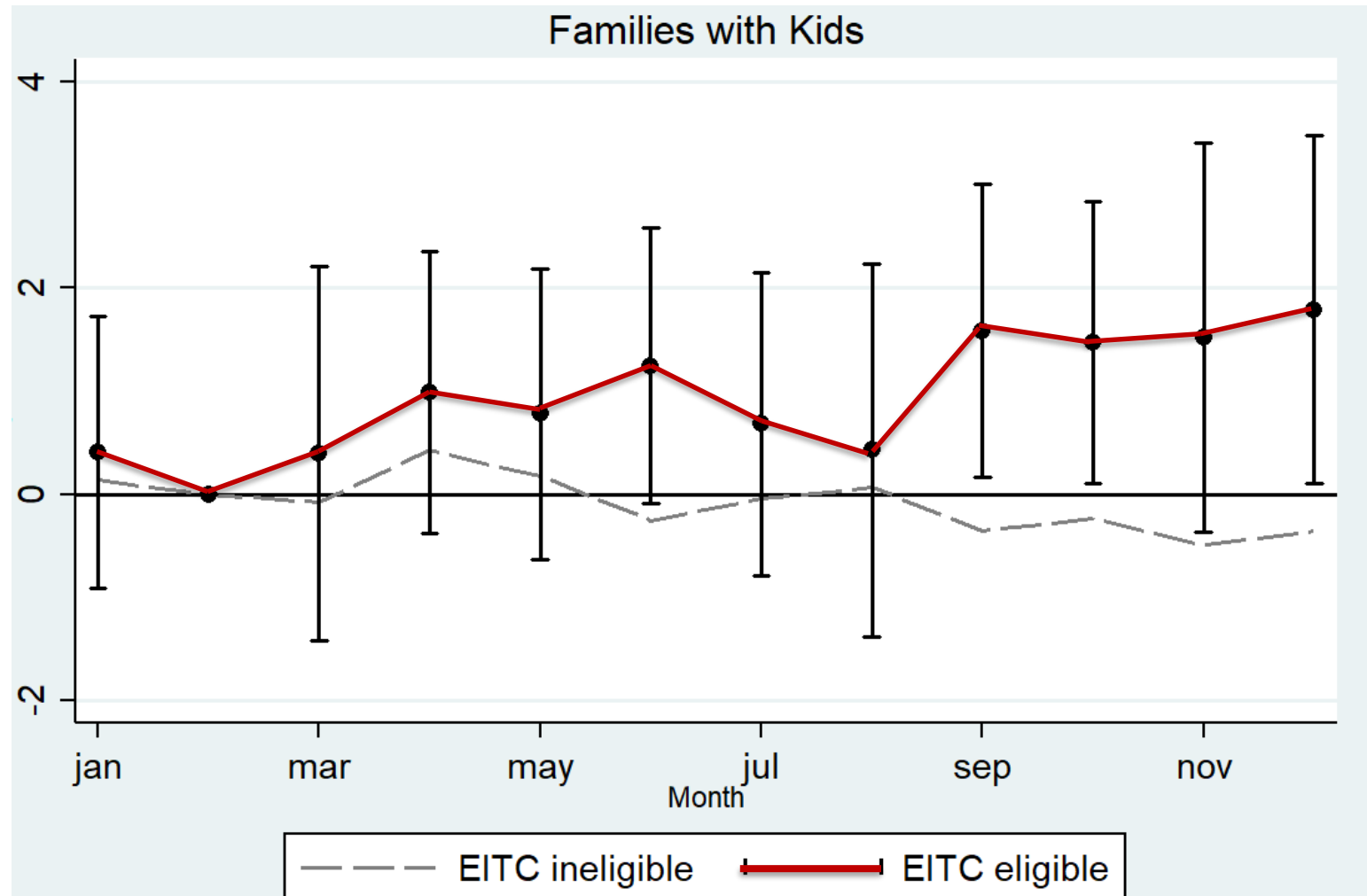
Source: CBPP analysis of Current Population Survey



EITC improves household finances



Total Household Debt by Month

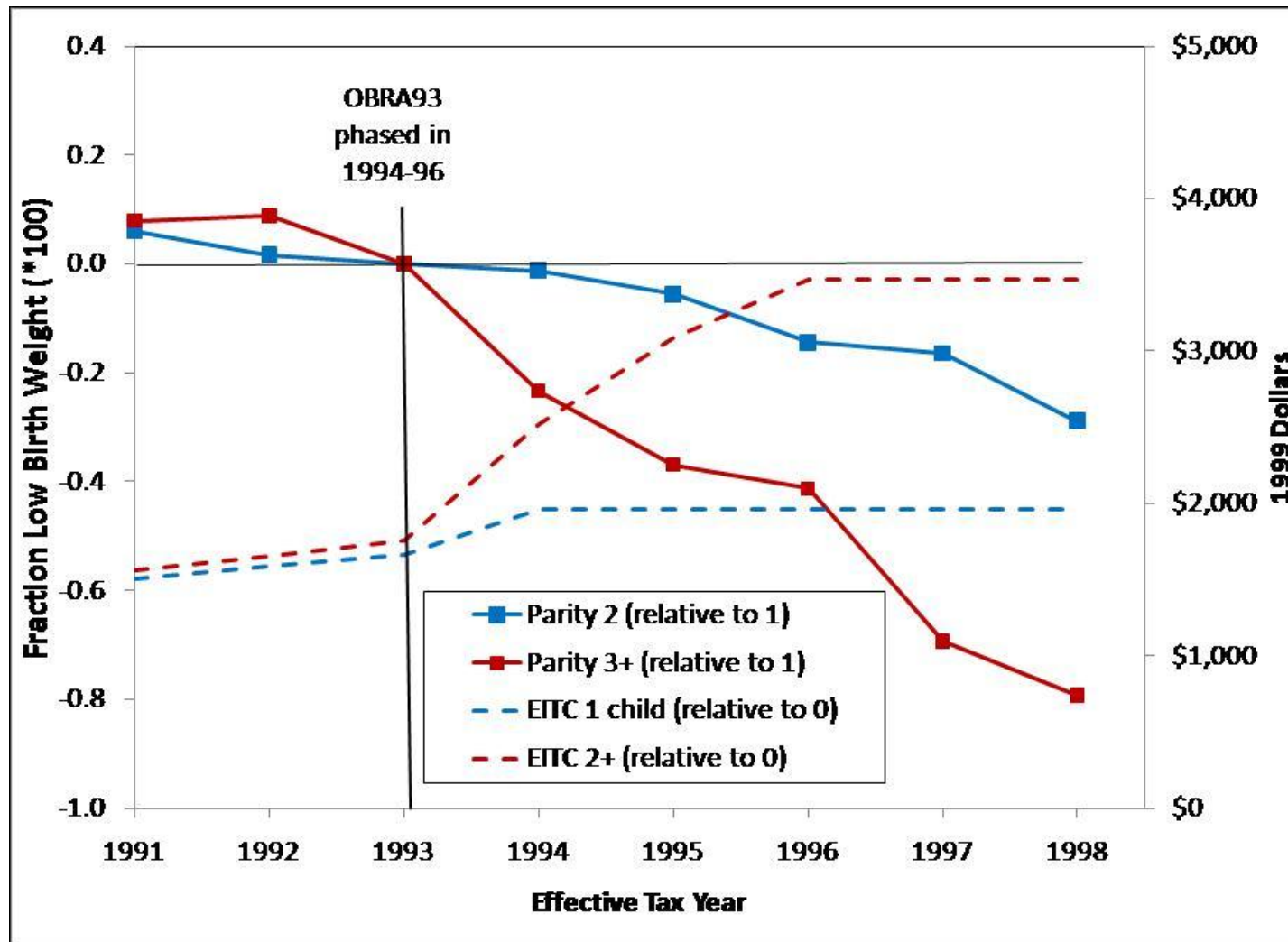




THE EITC IMPROVES CHILD HEALTH AND EDUCATIONAL OUTCOMES



Low Birth-Weight



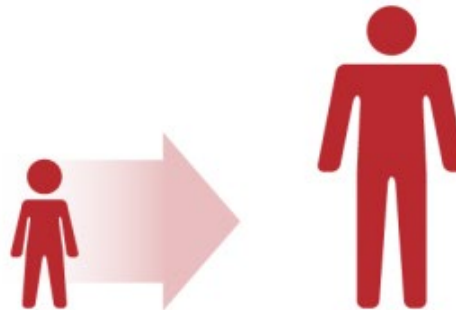


Adulthood earnings

\$3,000 annual increase in income to poor children before age 6 associated with increase in work hours when they become adults

**+\$3,000
a year**

**+135
working hours
a year**



For each \$3,000 a year in added income that children in a poor family receive before age 6...

...their working hours rise by 135 hours a year between ages 25 and 37, and their annual earnings rise by 17%.*

* Note: The published paper uses a 19% figure, but the authors have indicated that this is a typographical error and 17 percent is correct.

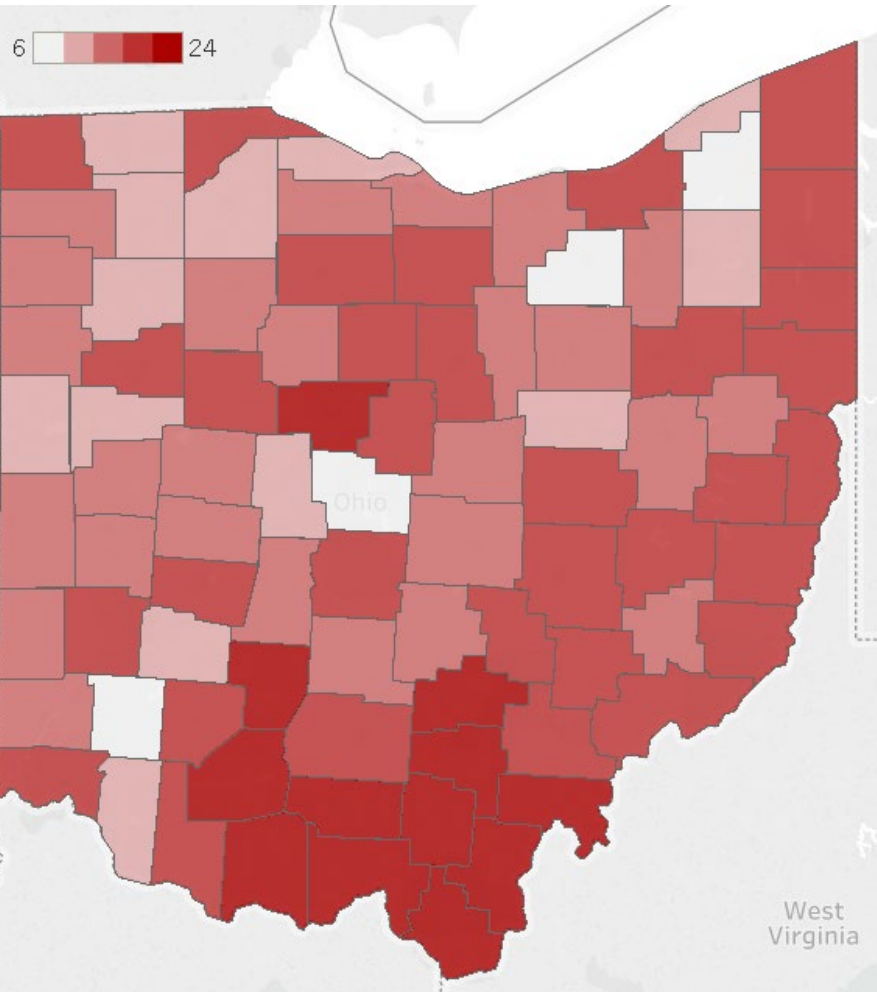
Source: Greg J. Duncan, Kathleen M. Ziol-Guest, and Ariel Kalil, "Early-Childhood Poverty and Adult Attainment, Behavior, and Health," *Child Development*, January/February 2010, pp. 306-325



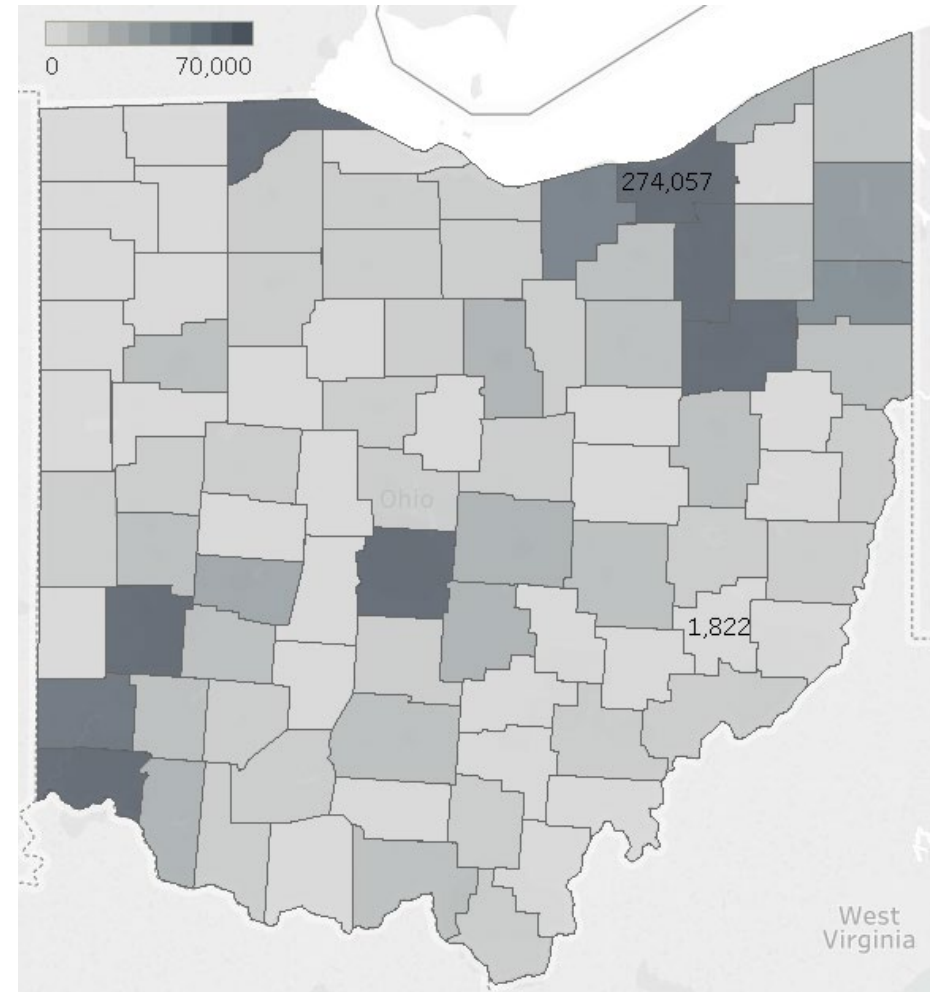
OHIOANS AND THE EITC



Percent tax returns claiming EITC



Amount of EITC paid out (\$1,000)





**23 PERCENT OF
ELIGIBLE FAMILIES DO
NOT CLAIM THEIR EITC**



Reasons for not claiming

Income below tax-filing threshold

Difficulty with filing

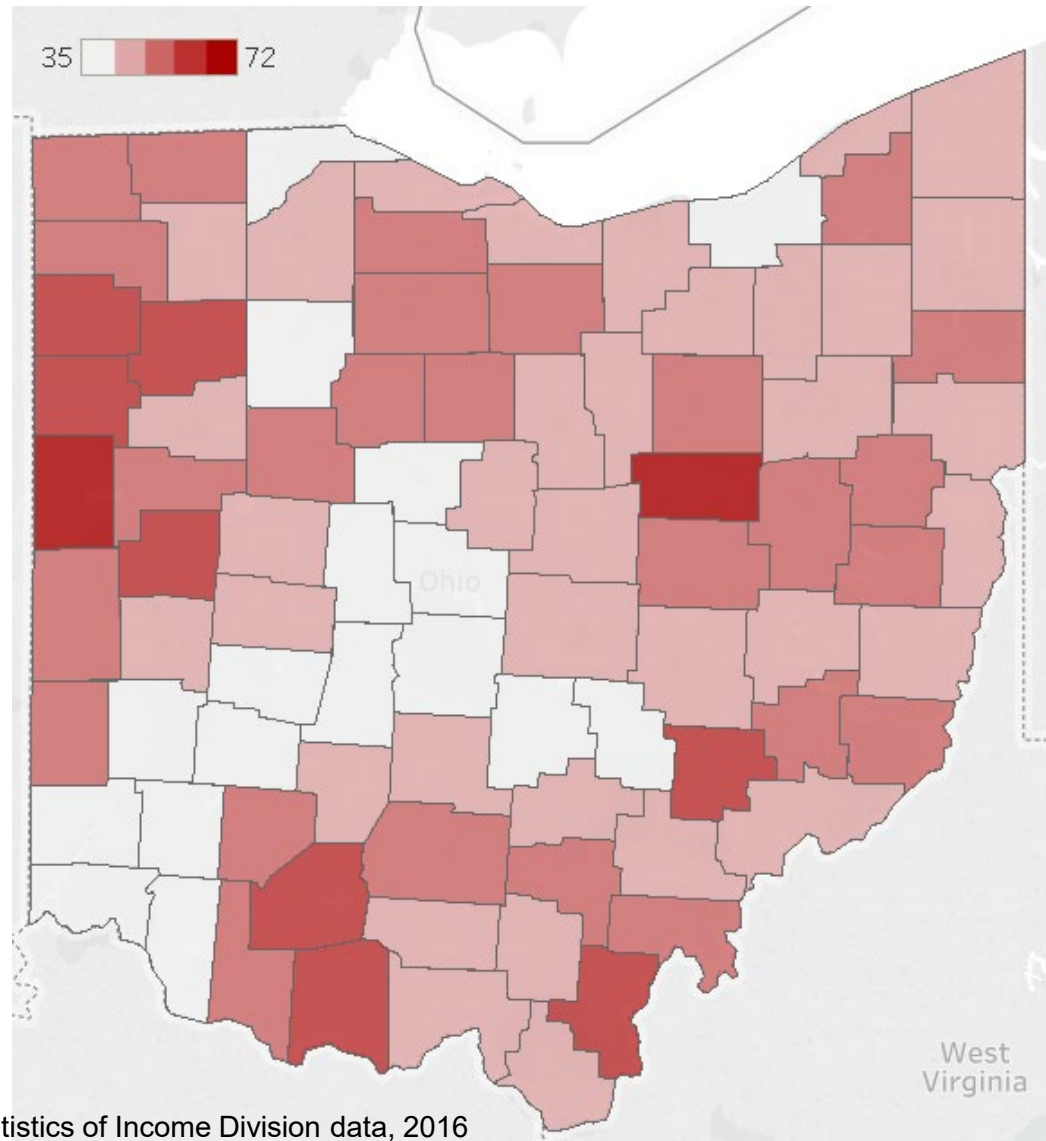
- Elderly
- Limited English
- Limited internet access

Financial burden of tax preparation

- Average cost of tax prep \$150
- Refund Anticipation loans and checks



Proportion of Household earning <\$50K who paid for tax preparation





VOLUNTEER INCOME TAX ASSISTANCE (VITA) PROGRAM



Households earning up to \$65,000 can schedule a free tax prep appointment by calling 2-1-1 or (614) 221-2255 between mid January and mid April.

What is VITA?

Volunteer Income Tax Assistance

Free tax prep

- Low-income (<\$60,000 annual earnings)
- Disabled
- Limited English speakers

Volunteers prepare basic return

- IRS-certified
- Electronic filing



The Need for VITA

More than half of American have no savings

- Refund and EITC is largest check they receive!

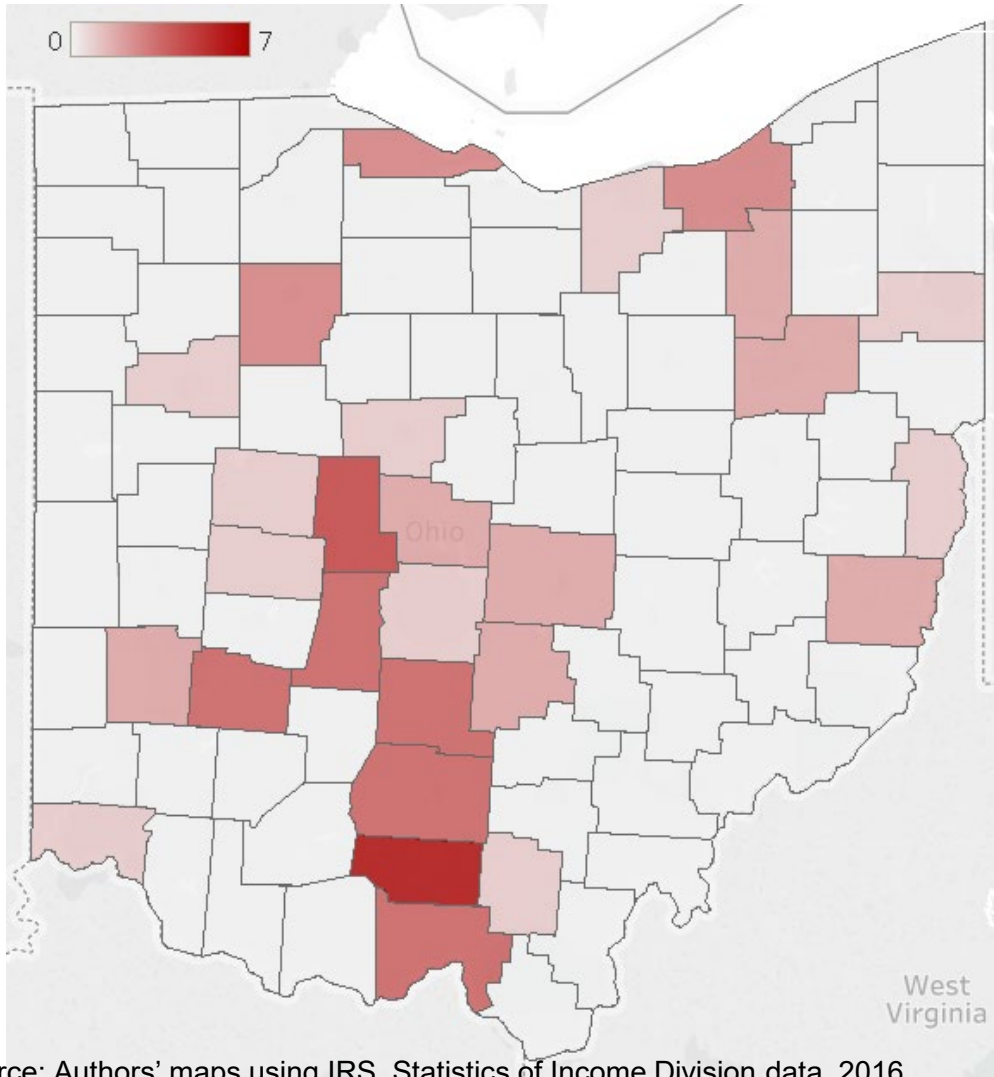
Great savings opportunity

Use the money to save for:

- Home
- Education
- Business
- Emergency Fund



Proportion of EITC refunds prepared at a VITA site



**THERE IS
CAPACITY
FOR NEW
VITA SITES
ACROSS THE
STATE**

**IN MOST OF OHIO'S
COUNTIES, ZERO
PERCENT OF EITC-
RECIPIENTS FILE AT A
VITA SITE.**



Extension and VITA: a perfect marriage

- Extension offering money management courses but...
Clients do not have money in their pockets!
- Existing program at Fisher with Professor William Raabe but...
Not enough clients due to location and missing community connection!
- Perfect opportunity to join forces
- Eventually Moritz college of law also wanted to participate
- Eventual partnership with United Way of Central Ohio
- Fisher College received President's Service Learning Award 2017 for VITA



Benefits to the community

LET'S LOOK AT THE NUMBERS

Highlights during
the 2018 tax
season included:



16,318 clients served

(Including over 1,100 who self-filed
returns prepared for free through
MyFreeTaxes.com)



\$3.3 MILLION

saved in tax
preparation fees



\$17.8 MILLION

in tax refunds



So you want to start a VITA site: Benefits to your organization

IRS provides training

Great client pool for other programming

- Money management classes
- Homebuyer education
- Workforce development courses

Self-sustaining student volunteer group

- Students look professional
- Seniors train the juniors

Improved relationship between institution and community



Video -

<https://www.youtube.com/watch?v=6RpvR>

A7 GPU



Challenges to setting up this program

Funding

- Feeding volunteers, supplies, etc.

Location

- Must be in the community
- Accessible
- Saturdays, evenings

Marketing

- Partnership with United Way



How can I do this in my county

Partner with college or university, or existing VITA site

Students want to do this

- First-hand experience doing tax-prep
- Unique opportunity to work with diverse audiences

Funding through local United Way

Local financial institutions might fund



New this year!

Partnership with American Saves

Sign up to receive:

- Savings tips
- News
- Classes





Some contacts:

Lauren Jones – jones.2846@osu.edu

Susan Colbert – colbert.22@osu.edu

**United Way of Central Ohio, TaxTime
Program - <https://taxtimecentralohio.org/>**

**Amanda Woods, America Saves Ohio -
woods.485@osu.edu**

Or www.americasaves.org